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STATE FOR EUR/CARC, EB/IFD/OIA, L/CID, USDOC FOR  
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TAGS: [ECON](#) [EINV](#) [KIDE](#) [PGOV](#) [AJ](#)  
SUBJECT: AZERBAIJAN: 2008 REPORT ON INVESTMENT DISPUTES AND  
EXPROPRIATION CLAIMS

¶1. (U) Sensitive but unclassified. This cable contains  
proprietary business information and should be handled  
accordingly.

¶2. (U) This cable responds to request in reftel for  
information on current business disputes and expropriation  
claims for inclusion in the Department's annual report to  
Congress required by the FY94-95 Foreign Relations  
Authorization Act.

¶3. (SBU) Embassy reports the following cases:

a. Claimant A

b. 2004

c. Claimant A is an airline based in Georgia that served  
regional routes to Azerbaijan, Armenia, and Russia (Sochi and  
Minvodi). Claimant A had a commercial agreement with AZAL,  
the Azerbaijani flag carrier, governing frequency of flights  
and fares on its Baku-Tbilisi route. AZAL admitted that  
beginning in March 2004 it sold tickets below the negotiated  
price under the "political" direction of both Azerbaijani and  
Georgian presidents, which claimant A contended was a  
violation of the commercial agreement.

Claimant A stopped flights to Baku on September 2, 2004 on  
grounds that the route was no longer profitable given AZAL's  
actions. In October 2004 Claimant A ceased operations  
entirely, allegedly due to the failure of its Baku-Tbilisi  
route. In November 2004 the GOG sent notification to  
Claimant A of the potential withdrawal of its license if the  
company failed to resume flights. In December 2004, the GOG  
officially withdrew Claimant A's license.

In previous years, the U.S. Embassy in Baku held multiple  
meetings with AZAL and Azerbaijani Civil Aviation Authority  
(CAA) officials, which included an observation of direct  
talks between Claimant A and AZAL airline representatives.  
The Embassy also raised this issue with the Minister of  
Economic Development and the President's Office. The Embassy  
is not aware of any legal action taken within Azerbaijan to  
date with respect to this claim, and we therefore have not  
taken any action during the reporting period.

a. Claimant B

b. 1996

c. Claimant B established a joint venture with the City of  
Baku to develop a piece of property and build a trade center.  
Claimant B claims that the then-Mayor of Baku transferred  
title of a piece of property to the joint venture in 1996.  
Claimant B claims that its subsequent efforts to develop the

property were frustrated by the refusal of the City to issue necessary permits for construction. Claimant B has been unable to gain access to the property, and the current Mayor of Baku denies that title to the property was ever transferred to the joint venture.

The U.S. Ambassador met with the Mayor and Claimant B partners in May 2004 to move forward discussion of the claims. In early 2006, Claimant B partners reported to the Embassy some progress in pressing their claims to Azerbaijani government officials. As a result, in March 2006 the Embassy accompanied Claimant B partners to several meetings with government of Azerbaijan officials, including the mayor of Baku, Minister of Communications, and Minister of Economic Development. Following these meetings, Claimant B partners reported that some progress had been made toward resolving the dispute and that government officials appeared to be more interested in a resolution of the issue.

a. Claimant C

b. 1996

c. According to Claimant C, during the mid-1990s Claimant C purchased over 150,000 tons of cotton from the Government of Azerbaijan through the state-owned cotton-ginning business "Agroincom." Three contracts were successfully delivered. In 1996, however, Agroincom defaulted on a portion of a fourth contract. After repeated failed attempts to resolve the situation, in 1998 an international arbiter ordered Agroincom to pay USD 7.7 million. To date, no payments have been made by the Government of Azerbaijan.

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14. (SBU) Claimant A is Caucasus Airlines. The report of Claimant A's case is unchanged from the past year, as the Embassy has received no additional information regarding the claim. Claimant B is the Baku World Trade Center Joint Venture. The report of Claimant B's case is unchanged from the past year, as the Embassy has received no additional information regarding the claim. The Embassy has not approached these firms to request a privacy waiver for the purposes of this cable. Claimant C is Cargill. Over the past 24 months Claimant C has been actively seeking payment from the Government of Azerbaijan for its long-standing debt.  
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